

Message Text

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TO AMEMBASSY LONDON IMMEDIATE

C O N F I D E N T I A L STATE 085940

EXDIS

E.O. 11652: GDS

TAGS: ETRD

SUBJECT: US INITIAL TEXTILE TARIFF OFFER

SUBJ: US INITIAL TEXTILE TARIFF OFFER

PASS AMBASSADOR ROBERT S. STRAUSS ONLY FROM AMBASSADOR WOLFF

SUMMARY:

WE BELIEVE, GIVEN THE ECONOMIC SITUATION IN THE U.S. INDUSTRY AND DOMESTIC POLITICAL CONSIDERATIONS, THAT U.S. TEXTILE TARIFF OFFER IS A GENEROUS ONE (AND OF SIGNIFICANT BENEFIT TO UK) WHICH CAN ONLY BE MAINTAINED IF OTHER TRADING COUNTRIES RECIPROCATE.

1. THE INITIAL US TARIFF OFFER INCLUDED AN OVERALL 35.2 PERCENT DEPTH OF CUT FOR TEXTILE AND APPAREL PRODUCTS FROM THE UK. THIS IS A SIGNIFICANTLY GREATER CUT THAN THE OVERALL DEPTH OF CUT IN TEXTILES AND APPAREL (25.7 PCT.) FOR THE WORLD.

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2. THE UNITED STATES OFFERED SWISS FORMULA REDUCTIONS ON ABOUT HALF OF TOTAL UK TEXTILE AND APPAREL EXPORTS TO U.S. THE AVERAGE DEPTH OF CUTS FOR THESE ITEMS IS 52.5 PCT.

3. YOU SHOULD STRESS THAT A NUMBER OF KEY WOOL TEXTILE AND APPAREL ITEMS HAVE BEEN PROPOSED FOR SIGNIFICANT CUTS.

DESCRIPTION	OLD DUTY	OFFER	PCT. OF TOTAL US
--	IMPORTS FROM UK		
ALL WOOL YARN	23.4	9.4	18
MEN'S CASHMERE			
SWEATERS	16.8	7.6	63
WOMEN'S CASHMERE			
SWEATERS	16.6	7.6	50
WOMEN'S WOVEN			
APPAREL	24.1	14.0	9

4. VIRTUALLY ALL OF EVEN THE MOST SENSITIVE WOOL ITEMS WERE OFFERED SOME REDUCTION. THE EC, INCLUDING UK, WILL BENEFIT MORE FROM THESE PROPOSED CUTS THAN MOST OTHER COUNTRIES BECAUSE EC IS NOT SUBJECT TO U.S. TEXTILE IMPORT RESTRAINTS.

5. WOVEN WOOL APPAREL FABRIC IS OF KEY CONCERN TO THE UK. U.S. TARIFF OFFER ON THESE ITEMS IS AS FOLLOWS:

TSUS NO.	DESCRIPTION	DUTY	OFFER	'76 TRADE	UK AS
-	-	(000'S)	PCT TOTAL		
-	-	FROM UK	IMPORTS		

336.15	WOOL HAND	19.3	16.6	\$2,069	98
-	WOVEN FABRIC				
336.60	WOOL FABRIC	44.4	41.8	\$8,555	22

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- OVER 2 DOL.
- PER POUND

THIS LAST ITEM IS CALLAGHAN'S PROBLEM AREA, WE ASSUME, AND WE HAVE BEEN UNABLE TO CUT FURTHER, FOR REASONS INDICATED IMMEDIATELY BELOW.

6. U.S. WOOL APPAREL FABRIC PRODUCTION (IN MILLION SQUARE YARDS EQUIVALENT) HAS DECREASED FROM 347.4 IN 1967 TO 143.3 IN 1977 OR 58 PERCENT. EMPLOYMENT IN THIS INDUSTRY DURING THE SAME PERIOD DECREASED 47 PCT. MOST OF THE REMAINING PRODUCTION IS LOCATED IN RURAL AREAS WITH LITTLE OR NO OTHER POSSIBILITIES FOR EMPLOYMENT.

7. NEVERTHELESS, THE UK HAS DONE VERY WELL IN OUR MARKET.

A) TOTAL U.S. TEXTILE AND APPAREL IMPORTS FROM UK IN MILLION SQUARE YARDS EQUIVALENT (MSYE).

1975	1976	1977	PERCENT INCREASE FROM 1975
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62.2	119.4	131.9	112 PERCENT
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B) TOTAL WOOL TEXTILE AND APPAREL IMPORTS FROM UK (MSYE)

1975 1976 1977 PERCENT INCREASE FROM 1975

10.1 12.8 15.7 55.4 PERCENT

ONE CAN INFER FROM THESE INCREASES THAT U.S. TEXTILE
TARIFFS ARE NOT RPT NOT PREVENTING THE UK FROM ENJOYING
SIGNIFICANT EXPORT INCREASES TO U.S. MARKET.

8. THERE IS GREAT PRESSURE FROM U.S. INDUSTRY AND U.S.
LABOR, AS WELL AS SOME ELEMENTS OF CONGRESS, TO EXCLUDE
TEXTILE TARIFFS FROM THE MTN. AS OUR JANUARY 23 OFFER
DEMONSTRATES, WE HAVE RESISTED SUCH PRESSURES. HOWEVER,
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WE CAN RESIST THESE PRESSURES ONLY IF OUR TRADING PARTNERS
RECIPROCATATE BY OFFERING EQUALLY SIGNIFICANT REDUCTIONS IN
THEIR TEXTILE TARIFFS.

FYI. WE HAVE NOT YET SEEN EC WITHDRAWAL LIST. HOWEVER WORD
IN U.S. TEXTILE TRADE MARKET IS THAT EC TEXTILE INDUSTRY
IS STRONGLY PRESSURING COMMISSION TO MAKE SIGNIFICANT
WITHDRAWALS ON TEXTILE ITEMS WHILE AT SAME TIME ASKING
FOR EVEN GREATER TEXTILE TARIFF CONCESSIONS FROM U.S.
END FYI.

9. THE FOLLOWING ADDITIONAL POINTS CAN BE MADE:
(1) A SMALL CUT IN THESE KEY ITEMS PREVENTS BACKSLIDING
TOWARDS EVEN GREATER PROECTION. (2) THE BEST WAY TO
ARGUE FOR FURTHER U.S. CUTS IS TO PRODUCE A VERY POSITIVE
EC OFFER. IF, ON THE OTHER HAND, THE EC COMES UP WITH MANY
WITHDRAWALS IN TEXTILES, WE WILL BE PRESSED HARD TO DO THE
SAME. VANCE

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